

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301  
Indianapolis, IN 46204  
(317) 233-0696  
<http://www.in.gov/legislative>

**FISCAL IMPACT STATEMENT**

**LS 6526**

**BILL NUMBER:** HB 1474

**NOTE PREPARED:** Dec 31, 2008

**BILL AMENDED:**

**SUBJECT:** Personal Needs Allowance.

**FIRST AUTHOR:** Rep. Borders

**BILL STATUS:** As Introduced

**FIRST SPONSOR:**

**FUNDS AFFECTED:** ☒ **GENERAL**  
**DEDICATED**  
☒ **FEDERAL**

**IMPACT:** State

STATE IMPACT	FY 2009	FY 2010	FY 2011
State Revenues			
State Expenditures		1,310,000	1,280,000
Net Increase (Decrease)		(1,310,000)	(1,280,000)

**Summary of Legislation:** This bill increases the monthly personal allowance from \$52 to \$60 for: (1) Residential Care Assistance Program (RCAP) recipients living in county homes; (2) Medicaid recipients receiving care in a hospital, a nursing facility, or an assisted living facility; and (3) Medicaid recipients living in community residential facilities for the developmentally disabled.

**Effective Date:** July 1, 2009.

**Explanation of State Expenditures:** *Summary-* The additional cost to the state for increasing the personal needs allowance from \$52 to \$60 for RCAP recipients and Medicaid recipients living in community residential facilities for the developmentally disabled, hospitals, or nursing facilities is estimated to be \$1.31 M in FY 2010 and \$1.28 M in FY 2011. This estimate does not include the additional cost associated with Medicaid waiver recipients living in assisted living facilities. [The estimate will be updated when the projected number of assisted living waiver clients is made available.]

Total expenditures are estimated to be \$3.2 M in FY 2010 and \$3.1M in FY 2011, with the federal share

amounting to \$1.91 M and 1.86 M in each of the two years.

**Background Information-** Medicaid recipients who are residents of nursing facilities, hospitals, assisted living facilities, intermediate care facilities for the mentally retarded (ICFs/MR), and individuals receiving assistance through the Assistance to Residents of County Homes (ARCH) and Room and Board Assistance (RBA) programs are allowed a monthly personal needs allowance of \$52 for FY 2009. The combined ARCH and RBA programs are jointly referred to as the Residential Care Assistance Program, or RCAP. In the case of an RCAP recipient with no income, the state pays the recipient the personal needs allowance. This amount is not considered income to the individual in the determination of eligibility and is for the exclusive use of the recipient for personal needs.

Based on estimated numbers of Medicaid recipients in state-operated facilities, nursing facilities, CRF/DDs, as well as recipients of residential assistance in the RCAP program (a state-funded residential program), the total additional cost of increasing the personal needs allowance by \$8 per month (to a total of \$60) would be about \$3.2 M for FY 2010. This represents the total additional benefit to institutionalized individuals. This total expenditure consists of about \$1.91 M in federal share and about \$1.31 M in state dollars. (This is based on Medicaid program cost shares of about 62% federal and 38% state.) As part of the impact to the state, the cost of changing the personal needs allowance for the approximate 1,450 RCAP recipients is about \$139,200 annually and would be funded solely from state funds. Nursing facilities and RCAP estimates are based on client forecast data for FY 2010 and FY 2011. [The assisted living waiver forecast is not included in the estimate. This information will be updated when the data is made available.]

This estimate would be overstated to the extent that some individuals in the Medicaid program would have zero income. Increasing the personal needs allowance for an individual with no income would not affect state costs.

The Medicaid Program is jointly funded by the state and federal governments. The state share of program expenditures is approximately 38%. Medicaid medical services are matched by the federal match rate (FMAP) in Indiana at approximately 62%.

**Explanation of State Revenues:** See *Explanation of State Expenditures*, above, regarding federal reimbursement in the Medicaid program.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Family and Social Services Administration, Division of Aging and Division of Disability and Rehabilitative Services, and the Residential Care Assistance Program.

**Local Agencies Affected:** County homes.

**Information Sources:** *Medicaid Forecast* (Average Monthly Enrollment Forecast: SFY 2006 - SFY 2011), December 5, 2008, and the Family and Social Services Administration.

**Fiscal Analyst:** Kathy Norris, 317-234-1360.